

BILL NO.: 4641

ORDINANCE NO.: _____

Introduced by: Council Present

AN ORDINANCE FOR THE CITY OF BERKELEY, MISSOURI, AUTHORIZING THE MAYOR TO EXECUTE THE ATTACHED CONTRACT WITH STIFEL, NICOLAUS & COMPANY, INC. FOR FINANCIAL ADVISORY SERVICES

Now, Therefore, Be it ordained by the City Council of the City of Berkeley, Missouri, as follows:

Section 1. The Mayor is hereby authorized to execute the attached agreements with Stifel, Nicolaus & Company, Incorporated for Financial Advisory Services in regard to Defeasance of Outstanding Bonds.

Section 2. The attached agreement is hereby incorporated herein and made a part of this ordinance, as if fully set out herein.

Section 3. This Ordinance shall be in full force and effect from and after its passage.

1st Reading this _____ day of _____ 2018

2nd Reading this _____ day of _____ 2018

3rd Reading, PASSED and APPROVED, this _____ **day of** _____ **2018**

Theodore Hoskins, Mayor

ATTEST:

Deanna L. Jones, City Clerk

Approved As To Form:
Donnell Smith, City Attorney

Final Roll Call:

Mayor Hoskins	Aye ___	Nay ___	Absent ___	Abstain ___
Councilwoman Hoskins	Aye ___	Nay ___	Absent ___	Abstain ___
Councilwoman Mitchell	Aye ___	Nay ___	Absent ___	Abstain ___
Councilwoman Williams	Aye ___	Nay ___	Absent ___	Abstain ___
Councilwoman Mathison	Aye ___	Nay ___	Absent ___	Abstain ___
Councilwoman-at-Large Greene	Aye ___	Nay ___	Absent ___	Abstain ___
Councilman Hindeleh	Aye ___	Nay ___	Absent ___	Abstain ___



REPORT TO CITY COUNCIL

TO: The Honorable Mayor Members of the City Council

THRU: Debra M. Irvin, City Manager

FROM: Keidra King, Finance Director *KK*

DATE: August 13, 2018

SUBJECT: General Obligation Bond Defeasance Payment

We have investigated the Subject item, above, and present the following as our findings:

BACKGROUND

The State Auditor requires that the city have a reasonable reserve up to one year's payment in the bond service account. (*Pro Forma Tax Rate Form C, Line 4*) In reviewing the amortization schedule for the bond service account the payments for 2019 and 2020 will be \$186,164 and \$187,943.74 respectively. As of June 30, 2018 the balance in the account is \$474,702. There is no plan to change the tax levy for the bonds. This means the account balance will continue to grow. As these funds are restricted they can only be used to pay down General Obligation Bond Debt.

SUPPORTING DOCUMENTS

See Attached

OPTIONS

1. Lower the tax rate. Which the city may need the funds extra funds during a later period.
2. Do nothing. (City will not be in compliance)
3. Make an early payment on the General Obligation Bond

IMPACT ON BUDGET

There will be about a \$315,000 increase to Fund 12 budget in the current year.

RECOMMENDATION

It is the recommendation to make a defeasance payment on the General Obligation bonds in the amount of about \$315,000. This will allow to be in compliance with the state law. This will not change the amount owed in the current year but will reduce the amount for which the city is paying interest and allow the city to pay off the debt earlier than the amortization schedule reflect. The reduction to the city's debt can be a positive reflection of the city's financial standing. This action shows Creditor that the is financially responsible.

Respectfully submitted,



Keidra L. King

July 25, 2018

Debra M. Irvin, City Manager
 Keidra King, Finance Director
 City of Berkeley, Missouri
 8425 Airport Rd
 Berkeley, MO 63134

Re: City of Berkeley, Missouri | New Money Analysis

Dear Ms. Irvin and Ms. King:

The information below is a summary of analysis completed by Stifel for par amounts ranging between \$1,000,000 and \$6,000,000 at various interest rates for a 20 year financing with level debt service.

20 Year Financing Options*					
		Interest Rate			
		3.50%	4.00%	4.50%	
Approximate Project Fund	\$1,000,000	\$70,000	\$74,000	\$77,000	Average Annual Debt Service
	\$2,500,000	\$176,000	\$184,000	\$192,000	
	\$5,000,000	\$352,000	\$368,000	\$384,000	
	\$6,000,000	\$422,000	\$441,000	\$461,000	

- * 1. Preliminary and subject to change.
- 2. The use of the "A-" rating is consistent with the issuer's current rating.
- 3. Interest rate assumptions are based on current market conditions and similar credits.
- 4. The City's actual results may differ, and Stifel makes no commitment to underwrite at these levels.
- 5. Based on level debt service.

The City has outstanding general obligation bonds issued in 2015. The spreadsheet on the following page tracks the projected general obligation debt service levy, based on the following assumptions:

- No change to the City's current debt service tax rate of \$0.146
- 5-year average collections of approximately 92%
- No change to the City's current assessed valuation of \$188,990,868

City of Berkeley, Missouri
July 25, 2018

Tax Year	Debt Year	AV	Growth*	Tax Rate*	Tax Rev @ 91.80%	Aggregate Debt Service	Req'd Levy	Use of Fund Bal	Fund Balance	% of DS
2015	2016	187,140,485	act.			412,035				
2016	2017	181,467,903	-3.03%			341,994			421,767	229%
2017	2018	191,752,337	5.67%	0.146	257,002	184,244	0.105	72,758	494,525	266%
2018	2019	188,990,868	-1.44%	0.146	253,301	186,169	0.107	67,132	561,657	299%
2019	2020	188,990,868	0.00%	0.146	253,301	187,944	0.108	65,357	627,014	340%
2020	2021	188,990,868	0.00%	0.146	253,301	184,644	0.106	68,657	695,671	373%
2021	2022	188,990,868	0.00%	0.146	253,301	186,269	0.107	67,032	762,703	406%
2022	2023	188,990,868	0.00%	0.146	253,301	187,744	0.108	65,557	828,260	450%
2023	2024	188,990,868	0.00%	0.146	253,301	184,069	0.106	69,232	897,492	485%
2024	2025	188,990,868	0.00%	0.146	253,301	185,241	0.107	68,060	965,552	519%
2025	2026	188,990,868	0.00%	0.146	253,301	186,175	0.107	67,126	1,032,677	553%
2026	2027	188,990,868	0.00%	0.146	253,301	186,869	0.108	66,432	1,099,109	588%
2027	2028	188,990,868	0.00%	0.146	253,301	186,875	0.108	66,426	1,165,535	626%
2028	2029	188,990,868	0.00%	0.146	253,301	186,175	0.107	67,126	1,232,661	664%
2029	2030	188,990,868	0.00%	0.146	253,301	185,650	0.107	67,651	1,300,311	702%
2030	2031	188,990,868	0.00%	0.146	253,301	185,313	0.107	67,988	1,368,300	742%
2031	2032	188,990,868	0.00%	0.146	253,301	184,400	0.106	68,901	1,437,200	765%
2032	2033	188,990,868	0.00%	0.146	253,301	187,800	0.108	65,501	1,502,701	808%
2033	2034	188,990,868	0.00%	0.146	253,301	185,900	0.107	67,401	1,570,102	832%
2034	2035	188,990,868	0.00%	0.146	253,301	188,700	0.109	64,601	1,634,702	
4,104,207										

* Stifel is not making a projection as to future Assessed Valuation (AV) growth rates or changes to the Tax Rate.

6/30/2017 Fund Balance (per 2017 CAFR)	464,639
9/1/2017 Payment	42,872
<u>12/31/2017 Estimated Balance</u>	<u>421,767</u>

Historical Assessed Valuations**		
Levy Year	Total AV	Growth
2018	191,752,337	0.00%
2017	191,752,337	5.67%
2016	181,467,903	-3.03%
2015	187,140,485	2.31%
2014	182,913,416	NA
<u>Average Growth</u>		<u>1.24%</u>

Historical Collections	
Fiscal Year	% Total Collections
2017	89.80%
2016	89.60%
2015	95.40%
2014	94.30%
2013	89.90%
<u>Average</u>	<u>91.80%</u>

**Per St. Louis County, net of TIF. 2018 is preliminary as of July 2018.

We hope you find this information helpful and in the meantime, if you have any questions about this information please feel free to give me a call at (314) 342-8467.

Sincerely,



Martin J. Ghafoori
Director

STIFEL, NICOLAUS & COMPANY, INCORPORATED

Stifel, Nicolaus & Company, Incorporated (“Stifel”) has prepared the attached materials. Such material consists of factual or general information (as defined in the SEC’s Municipal Advisor Rule). Stifel is not hereby providing a municipal entity or obligated person with any advice or making any recommendation as to action concerning the structure, timing or terms of any issuance of municipal securities or municipal financial products. To the extent that Stifel provides any alternatives, options, calculations or examples in the attached information, such information is not intended to express any view that the municipal entity or obligated person could achieve particular results in any municipal securities transaction, and those alternatives, options, calculations or examples do not constitute a recommendation that any municipal issuer or obligated person should effect any municipal securities transaction. Stifel is acting in its own interests, is not acting as your municipal advisor and does not owe a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934, as amended, to the municipal entity or obligated party with respect to the information and materials contained in this communication.

Stifel is providing information and is declaring to the proposed municipal issuer and any obligated person that it has done so within the regulatory framework of MSRB Rule G-23 as an underwriter (by definition also including the role of placement agent) and not as a financial advisor, as defined therein, with respect to the referenced proposed issuance of municipal securities. The primary role of Stifel, as an underwriter, is to purchase securities for resale to investors in an arm’s-length commercial transaction. Serving in the role of underwriter, Stifel has financial and other interests that differ from those of the issuer. The issuer should consult with its’ own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

These materials have been prepared by Stifel for the client or potential client to whom such materials are directly addressed and delivered for discussion purposes only. All terms and conditions are subject to further discussion and negotiation. Stifel does not express any view as to whether financing options presented in these materials are achievable or will be available at the time of any contemplated transaction. These materials do not constitute an offer or solicitation to sell or purchase any securities and are not a commitment by Stifel to provide or arrange any financing for any transaction or to purchase any security in connection therewith and may not be relied upon as an indication that such an offer will be provided in the future. Where indicated, this presentation may contain information derived from sources other than Stifel. While we believe such information to be accurate and complete, Stifel does not guarantee the accuracy of this information. This material is based on information currently available to Stifel or its sources and is subject to change without notice. Stifel does not provide accounting, tax or legal advice; however, you should be aware that any proposed indicative transaction could have accounting, tax, legal or other implications that should be discussed with your advisors and /or counsel as you deem appropriate.

STIFEL

Debra M. Irvin, City Manager
Keidra King, Finance Director
City of Berkeley, Missouri
8425 Airport Rd
Berkeley, MO 63134

RE: FINANCIAL ADVISORY SERVICES
Defeasance of Outstanding Bonds

Stifel, Nicolaus & Company, Incorporated (“Stifel”) presents for your acceptance this agreement to retain Stifel as financial advisor to the City of Berkeley, Missouri (“Issuer”) for the proposed defeasance of Issuer’s outstanding General Obligation Bonds (the “Defeasance”). This contract is expressly solely for the aforementioned services and no other services which could be construed as providing Municipal Advice is being sought by the Issuer and may be provided pursuant to this agreement. This agreement will be effective on the date signed by an authorized representative of Issuer and will authorize Stifel to act as financial advisor through the completed Defeasance, at which time this agreement will terminate. This agreement may also be terminated on thirty (30) days written notice by either party.

1. Scope of Work. Stifel agrees to perform the following services for Issuer with respect to the Defeasance:
 - a. Provide a calculation showing the application of funds on hand to retire debt for the Issuer to defease the bonds, taking into account the call feature permitted by the Resolution for the bonds and the advice of bond counsel;
 - b. Coordinate with the Paying/Escrow Agent and Bond Counsel on behalf of the Issuer;
 - c. Outline bond payoff process and timing and wire instructions;
 - d. Post required notices of redemption on EMMA.
2. Issuer’s Obligations. Issuer agrees that, with respect to the Defeasance, its staff and consultants will cooperate with Stifel and make available any data in the possession of Issuer necessary to perform Stifel’s financial advisory services and regulatory obligations as described in Exhibit A to this agreement.
3. Regulatory Disclosures:
 - a. Issuer is aware of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Securities and Exchange Commission’s adopted rule commonly known as the “Municipal Advisor Rule” (SEC Rule 15Ba1-1 to 15Ba1-8 -“the Rule”). Stifel will be serving as a municipal advisor to the Issuer

STIFEL, NICOLAUS & COMPANY, INCORPORATED

501 N. BROADWAY | ST. LOUIS, MO 63102 | (314) 342-8467 | (314) 342-2179 (FAX) | WWW.STIFEL.COM
MEMBER SIPC AND NYSE

STIFEL

under the Rule and this agreement documents the municipal advisory relationship between Stifel and the Issuer.

- b. MSRB Rule G-42 requires that a municipal advisor provide its client with certain written disclosures. Please see Exhibit A to this agreement for those disclosures.

4. Compensation:

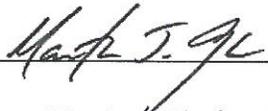
For Stifel's financial advisory services and expenses pursuant to this Agreement, Stifel shall be paid a fee of \$5,000 to be paid at the completion of the Defeasance. This amount includes all out of pocket expenses.

5. Authority to Direct Financial Advisor:

The following individuals have the authority to direct Stifel's performance of its scope of work under this agreement: Debra M. Irvin, City Manager and Keidra King, Finance Director.

Respectfully submitted this 25th day of July.

STIFEL, NICOLAUS & COMPANY, INCORPORATED

By: 

Name: Martin J. Ghafoori

Title: Director

STIFEL

ACCEPTANCE

I, City Manager or Finance Director, upon approval by the governing body of the City of Berkeley, hereby accept the agreement as submitted by Stifel, Nicolaus & Company, Incorporated relative to the financial advisory services, as described herein.

By: _____

Name: _____

Title: _____

Date: _____



EXHIBIT A

City of Berkeley, Missouri Defeasance of Outstanding Bonds

MSRB Rule G-42 Disclosures

As municipal advisor to the City of Berkeley, Missouri (“you”), Stifel Nicolaus (“Stifel” or “we”) is subject to the rules of the Municipal Securities Rulemaking Board (MSRB), including MSRB Rule G-42, which took effect on June 23, 2016. We do not believe that Rule G-42 has substantively changed our obligations to you. The rule does, however, direct us to make certain disclosures to you. Please review the following disclosures and contact your Stifel municipal advisor if you have any questions.

Our Duties as Your Municipal Advisor

Rule G-42 describes our basic duties to you. Most importantly, we owe you a fiduciary duty, the principal element of which is a duty of loyalty. Under the duty of loyalty, we are required to deal honestly and in the utmost good faith with you and to act in your best interests without regard to our financial or other interests. We may not serve as your municipal advisor if we believe that we have any conflicts of interest that we cannot manage or mitigate so that we can act in your best interests.

Rule G-42 also provides that we owe you a duty of care. As part of that duty, we must possess the degree of knowledge and expertise needed to provide you with informed advice. Also, under that duty, when we make recommendations to you or help you to evaluate the recommendations of others, we may need to ask questions to make sure that we have all the relevant facts.

Disclosure of Conflicts

Rule G-42 requires us to disclose to you any known material, actual or potential conflicts of interest that could reasonably be expected to impair our ability to provide you with advice, including any conflicts associated with contingent fee arrangements. As described in our engagement letter, the payment of our fee will be contingent on the closing of the defeasance described in the engagement letter. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since we may have an incentive to recommend a transaction to you that is unnecessary. We would, of course, be willing to discuss an alternative fee arrangement, if that is your preference.

Stifel has not identified any additional potential or actual material conflicts that require disclosure.

Legal and Disciplinary Event Disclosures

Each firm that is registered as a municipal advisor with the U.S. Securities and Exchange Commission (SEC) is required to file Form MA with the SEC and update that form periodically and as events change. The firm is also required to file a Form MA-I for each of its employees who is engaged in municipal advisory activities. Stifel's most recent Form MA and the Form MA-1 for each current Stifel municipal advisor employee may be found on the SEC's EDGAR website using the following hyperlink: <http://www.sec.gov/cgi-bin/browse-edgar?CIK=0000094403&owner=exclude&action=getcompany&Find=Search>.

Item 9 of Form MA requires each municipal advisor firm to disclose any criminal, regulatory violations, or self-regulatory violations and certain civil litigation. Because we are a broker-dealer firm, Form MA permits us to cross-reference to our Form BD, which is available on the website of the Financial Industry Regulatory Authority (FINRA), and our Form ADV, which is available on the SEC website. For your convenience, you may access our Form BD by using the following hyperlink: <http://brokercheck.finra.org/Firm/Summary/793>. You may access our Form ADV by using the following hyperlink: <https://www.adviserinfo.sec.gov/IAPD/IAPDSearch.aspx> and entering Firm 793 in the search field. Item 6 of each Form MA-I requires comparable disclosure about a municipal advisor individual, as well as customer complaint, arbitration, investigation, termination, financial, and judgment/lien disclosure. When an individual has a disciplinary history, Form MA-1 permits us to cross-reference to that individual's Form U-4. The disciplinary history on an individual's Form U-4 is accessible entering the individual's name in FINRA's "Broker-Check" service, using the following hyperlink: <http://brokercheck.finra.org/>.

Our Form MA was amended on July 14, 2017 to reflect the following settlement with FINRA:

In June 2017, Stifel agreed to pay a fine of \$125,000 to settle an alleged violation of MSRB Rule G-23. Stifel determined that a private placement with the county in which Stifel's school district client was located was a lower cost alternative for the school district than a public offering. Stifel presented the idea to the school district, which agreed to hire Stifel as its placement agent. Nevertheless, two months elapsed before Stifel provided disclosure to the school district that, in its role as placement agent, it was not a fiduciary to the school district as required by MSRB Rule G-23. The FINRA settlement document states that: "Because it failed to provide the role disclosure required by MSRB Rule G-23 in a timely manner, Stifel acted as both financial advisor and placement agent for the [school district] in connection with the [Bonds], in violation of MSRB Rule G-23." The alleged violation took place in 2012. Stifel now has robust procedures in place that are designed to result in timely G-23 disclosures to underwriting/placement clients.

In our view, none of the legal and disciplinary event disclosures described in our Form MA is material to your evaluation of us or the integrity of our management or advisory personnel.

Evaluation of Recommendations/Suitability

As provided in our engagement letter, we will assist you in evaluating recommendations, whether made by Stifel or, upon your written request, by third-parties, such as underwriters. We will provide you with our evaluation of the material risks, potential benefits, structure, and other characteristics of the transaction or product. We will discuss with you why we think a recommendation we make is suitable for you. In the case of recommendations made by an underwriter or other third-party that you request in writing that we review, we will discuss with you why we think the recommended transaction or product is or is not suitable for you. We will also inform you of any other reasonably feasible alternatives considered.

In order for us to evaluate whether we think a recommendation is suitable for you, we are required to consider the following factors and we may need information from you about those factors, much as if you were opening a brokerage account:

- financial situation and needs,
- objectives,
- tax status,
- risk tolerance,
- liquidity needs,
- experience with municipal securities transactions or municipal financial products generally or of the type and complexity being recommended,
- financial capacity to withstand changes in market conditions during the term of the municipal financial product or the period that municipal securities to be issued in the municipal securities transaction were reasonably expected to be outstanding, and
- any other material information known by the municipal advisor about the client and the municipal securities transaction or municipal financial product, after reasonable inquiry.

Additional Information

We also wish to inform you that Stifel is registered as a municipal advisor with both the SEC and the MSRB. Information about the duties of a municipal advisor, as well as the procedures for filing a complaint, may be found on the MSRB's website by clicking on the following link: <http://www.msrb.org/~media/Files/Resources/MSRB-MA-Clients-Brochure.ashx?la=en>. The general website for the MSRB is www.msrb.org. If you have any questions, please contact your municipal advisor.